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Book Review

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Book Reviews | Rezensionen

Davidson, Paul (2007): John Maynard Keynes, London/New York (222 pages, hardcover, Palgrave/Macmillan, ISBN 978-1-4039-9623-7)

Surely, Professor Davidson is the right person to add another »analytical biography« of John Maynard Keynes to the list of already existing books, where the voluminous study of Skidelsky is the last one in a row of many works. Davidson, in contrast, presents a slim volume which nevertheless, or just therefore, is worth reading. Every biographer, in a way, offers his own view on the author who is presented, and on his works. Hence, reading Davidson's book on Keynes reveals valuable insights into the way of thinking of both economists. As a co-founder of the Post Keynesian School of economics, Davidson endeavours to defend Keynes's message with regard to economic theory and economic policy against »Keynesian« textbook economics of the 1960s (the so-called Neoclassical Synthesis), against Monetarism, against General Equilibrium Theory, and perhaps against some other interpreters as well, who claimed to know »what Keynes really meant«.

Over the years, though still working as the editor of the *Journal of Post Keynesian Economics*, Davidson appears to have become a little more solitary. Remarkably, he does not quote any of his two former fellow combatants who helped to propagate the Post Keynesian School, Hyman Minsky and Jan Kregel. The reader gets the impression that Davidson feels to be the only legitimate expert of Keynes's economics. On behalf of Keynes, he conducts the dispute with Paul Samuelson, John Hicks, Milton Friedman and others. The purpose of his book is to convince »intelligent laypersons«, students and professional economists that Keynes offered the right view to understand the economics of the »real world«, whereas competing theories more or less are accused of delivering (mostly logically coherent) images of non-monetary economies. It is questionable whether »intelligent laypersons« really are able to grasp the essence of the theoretical controversies at stake. But Davidson even calls this group of imaginary readers into the witness box in his trial against orthodox economics:

»The lay reader will find the discussion [...] so obviously correct that he/she will be amazed to learn that mainstream professional economists do not accept this description and analysis« (pp. xiii–xiv).

The quality of Davidson's plea for Keynes's theory is mixed. Sometimes the book appears to be badly structured; there are many repetitions. The focus is on »old«, but important issues. »New Keynesian theory« is mentioned in the index, but actually not discussed. One of the topics is Keynes's famous »Chapter 17« argument that saving in a non-reproducible asset like money thwarts Say's Law and thus causes unemployment. This was already admitted by the General Equilibrium theorist Frank Hahn 30 years ago; all markets do not clear necessarily in a barter economy. But Davidson fails to mention that to preclude a demand spillover to producible goods one needs to assume rigid prices so that the demand

for money cannot rise in liquidity units, i. e. in real terms. On the other hand, he explains in an impressive and easy-to-understand way why saving in a monetary economy transmits »wrong« signals to investors (pp. 46 f.).

Davidson is right to stress that we live in a »non ergodic« world where collecting data and experience from the past does not provide a reliable clue for predicting the future. The argument is used as a critique of the Rational Expectations Hypothesis. But surely this theory does not claim that market agents are able to acquire perfect information. Rather, they try to behave in a model-consistent way, i. e. according to their view of the world. The former, truly naive belief of converging subjective views has lost its persuasiveness. Unfortunately, Davidson does not address the modern debate on learning in macroeconomics. And despite devoting many pages to the subject, it remains unclear whether »non-neutrality of money« is meant in a qualitative or quantitative sense, as the question of the endogeneity of resources (hysteresis) is not taken up.

One of the most valuable messages of the book is that Keynes's employment theory does not depend on rigid wages. Nearly all modern theory states, without any attempt to prove, that with flexible wages and prices all markets clear. This is trivial if we think of auction markets. But as production takes time (another point where Davidson is right), auction pricing does not fit and is not used by profit-maximizing firms. Whereas most modern macro theory still builds on Walras, Davidson pleads for Marshallian microfoundations. The long chapter 7 on the use of monetary contracting in a capitalist market system is most worth reading. Other chapters appear somewhat outdated: upholding the Keynesian belief in the efficiency of incomes policy as a tool against inflation and the proposal to reform the international currency system along the principle of banning export surpluses. Davidson's praise of the Bretton Woods system is biased: the »golden era« of high growth and employment ended up in worldwide inflation because the Fed failed to safeguard the value of money.

Finally, Davidson presents some interesting anecdotic evidence on how Keynesian economics found its way to the US after the war. Probably some leading economists »learned« Keynes's theory by listening to an early disciple of Keynes without ever reading the »General Theory«! At the same time, standing up for Keynesian ideas brought about political persecution by McCarthyism. No wonder that only a distorted caricature of Keynes's message was received in academia. Seen as a whole, Davidson's book is interesting and easy to read. We relearn a lot about Keynes, and even more about Davidson. But without a proper knowledge of the scientific literature the reader might misunderstand some points and run the risk of drawing unfounded conclusions.

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Godley, Wynne/Lavoie, Marc (2007): Monetary Economics. An Integrated Approach to Credit, Money, Income, Production and Wealth, Houndmills et al. (530 pages, Palgrave Macmillan, ISBN 0-230-50055-2)

This is a very ambitious book with an exciting objective. As apparent in the subtitle, it aims to be »integrative«, which indeed it is in a number of ways. To begin with, this work is designed both as a textbook accessible for advanced undergraduate and graduate students and as a scholarly outline of an ambitious research agenda in monetary economics.

Then, the book in many aspects constitutes an »integration« of the respective research programmes of two distinguished scholars in the field of modern macroeconomics. Wynne Godley has been one of the fathers of the »New Cambridge School« since the 1970s and was a member of the UK Treasury's Panel of Independent Forecasters (currently known as »The Seven Wise Men«) in the 1990s. Marc Lavoie is one of the most highly recognised contributors to post-Keynesian economics, of which he helped spell out the foundations as a coherent paradigm in a masterly earlier textbook (Lavoie 1992).

Finally, the approach developed in this book is »integrated« in the sense that it acknowledges the complexity of modern industrial economies and seeks »to introduce a new way in which an understanding can be gained as to how these very complicated systems work *as a whole*« (p. xxxiv, emphasis in the text).

The book starts with the recognition of an alleged methodological weakness in much of Keynesian economics, namely the tendency of conducting partial analyses based on *ceteris paribus*-assumptions, as opposed to a general, »integrated« approach that would emphasise the interrelatedness of all parts of the economy.

»While neo-classical economists have general equilibrium theory and computable general equilibrium models that helped capture the overall implications of their vision and the interdependence between markets and sectors, [...] post-Keynesian models that dealt with these topics [output, unemployment, inflation, financial flows and debts] lay in spreadout pieces, with no account of how the system as a whole worked.« (p. 3)

In their attempt to propose a remedy to this perceived shortcoming, Godley and Lavoie can build on a number of precursors, of which two main strands are stressed in the book: the »Yale group«, or »New Haven School« led by James Tobin; and the Cambridge Economic Policy Group, or »New Cambridge School«, led by Wynne Godley himself. Common features of these literatures are the consistent accounting and integrated analysis of stock and flow variables as well as the emphasis on interrelations between the financial and real sectors of the economy. However, while Tobin's work had strong neo-classical features, the book by Godley and Lavoie systematically establishes links with the post-Keynesian research programme.

Following an introduction and an overview chapter on stock-flow consistent (SFC) accounting, the remaining chapters contain ten SFC models of increasing complexity. Each chapter starts by presenting a balance sheet (stock) matrix and a transactions (flow) matrix,

thereby avoiding any »black holes« that may be hidden in partial models and ensuring that »everything comes from somewhere and everything goes somewhere«. After »closing« each model with additional behavioural equations, computer simulation is used to solve the models. After a steady state is obtained, on the basis of exogenously determined parameter values and initial values assigned to the flow and stock variables, the system is shocked by changing exogenous variables and parameters and the dynamic effect of such experiments for particular variables of interest are explored. It is the authors'

»contention that via the experience of simulating increasingly complex models it becomes possible to build up knowledge, or ›informed intuition«, as to the way monetary economies must and do function« (p. 9).

It is exciting to follow the authors' trajectory from a very simple stationary state model with only a handful of equations in chapter three of the book to very complex growth and open-economy models in the later chapters. However, two main difficulties may typically be encountered when reading this book.

Firstly, the book itself can only offer »a narrative supplemented with equations« (p. xxxv), which may remain somewhat sterile to readers unless they are ready to replicate the models and simulations with the computer. Therefore, it is extremely helpful that Eviews macros for all the models presented in the book have been developed and made available on his web site by Gennaro Zezza (<http://gennaro.zezza.it/>), who is an active researcher in the field of SFC modelling himself.

A second, related difficulty is that even when the simulations are replicated, the underlying mechanisms behind particular results in models with one hundred equations or more may at times remain somewhat opaque. Fortunately, some scholars have been assessing models similar in spirit to the work by Godley and Lavoie analytically, e.g. Taylor (2004), Dos Santos / Zezza (2007), or Skott / Ryo0 (2007). This, together with the necessary computer skills, helps one get a clearer picture of what exactly drives the results of particular models.

Godley and Lavoie modestly conclude that their book »is only a beginning which leaves everything to play for« (p. xxxv). In fact, it clearly deserves to become a standard reference for everybody interested in SFC modelling in particular and modern macroeconomics in general. There are already first signs that other (including younger) economists are indeed inspired by this way of thinking about the economy and apply it to specific issues of topical relevance, such as international imbalances in financial flows and stocks, fiscal and monetary policy rules, the implications of financial deregulation, or housing market issues.

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McCombie, John / Rodriguez Gonzales, Carlos (eds.) (2007): The European Union. Current Problems and Prospects, Basingstoke (182 pages, hardcover, Palgrave Macmillan, ISBN 0-230-00799-6)

This book is a collection of eight papers presented at the second conference on »Developments in Economic Theory and Policy«. The claim of the book's title, discussing current problems of the EU, does not interfere with the long time since the conference was held in Bilbao in July 2005, since the issues addressed by the authors have not lost topicality and have still not been solved at all. The individual chapters address the core questions challenging European economic policy on the national as well as on the supranational level. The book has a clear focus on the effects of the interrelation between the institutional framework and current fiscal policy on long-term macroeconomic developments.

In the first chapter *Eckhard Hein* and *Torsten Niechoj* provide an insight into formulation and direction of European economic policy, laid down in the Broad Economic Policy Guidelines (BEPGs) since 1993. The BEPGs are part of the Lisbon Strategy, the overarching-framework which aims to make the EU the world's most competitive and dynamic economy by 2010. Thus, by definition, the achievement of the level of growth and unemployment (among other variables), seen as the outcome of the conducted policy, has to be compared (first and foremost) to the US economy – a comparison that reveals weaknesses of the EU in the recent decade. Hein/Niechoj claim that since the BEPGs provide for the fundamental direction of economic policy, the problem seems to be the underlying policy model, described as »new-monetarist« (Arestis et al. 2001). The main criticisms include the focus on structural reforms and restrictive fiscal and monetary policies (disregarding economic divergences between the member states) as well as the failure to address the coordination of monetary, wage and fiscal policies (the BEPGs rather ignore the interdependency of the macroeconomic policy players in achieving common goals). What is particularly noteworthy about this contribution is that it challenges and deconstructs the assumptions of the prevailing policy model on various levels: the theoretical arguments, the formulation of policy recommendations, the choice and implementation of instruments as well as empirical outcomes.

The subsequent two chapters assess the theoretical and empirical problems of the Maastricht Treaty and the Stability and Growth Pact (SGP). *Nigel F.B. Allington* and *John McCombie* first reproduce some well-known criticism of the SGP and then challenge the assumptions of the underlying policy model, namely the New Consensus Model (NCM).

The remainder of the chapter presents the most promising Keynesian-type reform proposals by Buitert/Grafe (2004) who propose a Permanent Balance Rule to substitute the SGP, and Arestis/Sawyer (2003) who suggest a more radical institutional reform – both of them deserving more attention of policy makers. *Davide Furceri* then aims to assess empirically if the SGP matters for the process of real convergence of the EMU countries. He indeed finds proof of nominal convergence. For the influence on real convergence, though, he cannot find evidence on the macro-level, but only for certain sectors of the economy. However, Furceri concludes by remarking that it may take much longer for real convergence to be shown in the data.

In chapter 5, *Jochen Hartwig* examines several studies which have quantified the impact of certain changes in the calculation method of price indices applied by the US over the years. Those changes decrease deflators and thus increase the value of real GDP – one of the politically most important figures for comparisons. Hartwig remarks though that not all of the observable effects can be quantitatively assessed. He shows, however, that a large proportion of the difference in real GDP growth between the USA and the EU-15 can be attributed to changes in the deflation method, which have not been implemented in European countries. This stunning result of Hartwigs examination runs counter to the commonly agreed proposition of a better performance of the USA, which is used as a starting point by many studies (in the book at hand, this applies for example to the chapters by Hein/Niechoj and Serrano/Ferreiro). More research on this issue seems warranted to refine and confirm these results.

The contribution by *Margit Schratzenstaller* on company tax competition and coordination in an enlarged European union begins with an introduction to the tax competition-literature (Zodrow-Mieszkowski-model and its extensions), before presenting empirical evidence on effective tax rates. Building on that she connects the ongoing debate on company taxation and the practical difficulties attached to it (e. g. profit shifting) with the proposal of the European commission to harmonise company taxation at the European level. After an examination of the four proposed concepts, she comes to the tentative conclusion that it would be best to harmonize the tax base, but not without allowing for different minimum rates in old and new member states, until existing economic disparities have substantially been reduced.

Chapter 7 is devoted to the discussion on the reform of pension systems throughout the ageing developed countries. The analysis by *Felipe Serrano* and *Jesús Ferreiro* compares the funded system with the pay-as-you-go-system (PAYG) in terms of profitability, management costs, the minimization of adjustment costs and other factors. By taking into account intertemporal uncertainty and the impact of a funded system on saving and investment decisions as well as revealing other assumptions that have led to misconceptions about the relative profitability of funded systems in the long run, the authors contribute to a more balanced discussion on the issue of pensions systems. Despite the multitude of considerations this chapter deals with, it is clearly structured and convincing in its arguments.

At the end of the book, two contributions are concerned with the EU as a federal entity. *Juan Ramón Murua* and *José Albiac* deal with the priorities set out in the EU budget,

with regard to the common agricultural policy (CAP). They deliver a good insight into the economic considerations behind the conflict about volume, aims (long-term distribution vs. short-term growth through efficient allocation; liberal vs. federal approach on governance) and instruments (e. g. should CAP be used to promote cohesion and rural development?) of the EU budget. Unfortunately, few new arguments are produced. Another drawback is that a reform of the CAP is called for, stating general aims like a contribution to integration and cohesion, but not addressing the question of how these aims could be translated into a restructuring of financial incentives – a crucial question also for legitimization reasons.

Institutional aspects of the EU in the context of the rejected constitutional treaty are discussed by *Rui Henrique Alves* in the last chapter. After a discussion of institutional deficits of the EU and the positive and negative aspects the new constitution would have brought about, he shortly classifies alternative reform proposals according to two binomial criteria (unity/diversity and flexibility/compromise), representing the trade-offs which federalism has to deal with. Alves then develops a model he describes as a federation of nation states, which he unfortunately does not classify along the chosen criteria as the other models. The subsequent description outlines the propensities of this federation of nation states, providing for a more centralized EU in some aspects and more decentralization in others. On its own, this chapter would be too cursorily, shortly discussing legal issues alongside political and economic questions but not going into detail of any of these. However, standing at the end of this book, this contribution can be seen as a recapitulating approach or as a vision, comprising some of the recommendations of other parts of the book.

The overall impression of the book is that it combines comprehensive and accurate reasoning with good accessibility in a concise way. Due to the topicality and the introductory approach, it is well suitable as a textbook for undergraduates as for all those interested in a critical discussion of economic governance on the European level. The authors of the respective chapters point out alternatives and challenge certain assumptions and approaches, which are crucial for setting the long-term course of the EU.

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Priddat, Birger P. (Hg.): Neuroökonomie. Neue Theorien zu Konsum, Marketing und emotionalem Verhalten in der Ökonomie (225 Seiten, Paperback, Metropolis-Verlag, ISBN 978-3-89518-617-2)

Das vorherrschende Akteurskonzept der ökonomischen Theorie, der *homo oeconomicus*, ist immer wieder in die Kritik geraten. Bereits kurz nach der Reetablierung der neoklassischen Ökonomik durch das Arrow-Debreusche Gleichgewichtsmodell der 1950er Jahre (vgl. Arrow/Debreu 1954, Debreu 1959) war es Herbert Simon, der die Akteure der ökonomischen Theoriewelt mit seinem Ansatz der *bounded rationality* aus der strikten Nutzenmaximierung lösen wollte (vgl. Simon 1955 und 1976). Wenngleich dies nicht ohne Einfluss geblieben ist und u. a. zu einem Nobel(gedächtnis)preis für Simon führte, ging dieser organisationssoziologische Ansatz doch an den Lehrbüchern zur Mikroökonomie nahezu spurlos vorüber. Auch die sozialpsychologischen Studien Daniel Kahnemans und Amon Tverskys Ende der 1970er Jahre haben keine entscheidende Umorientierung gebracht (vgl. Tversky/Kahneman 1974, Kahneman/Tversky 1979). Obwohl sie für das Handeln 'realer' Menschen systematische und stabile Abweichungen vom homo-oeconomicus-Modell nachweisen konnten, einen eigenen Akteursgegenentwurf mit der *prospect theory* vorlegten und auch ihre Arbeiten mit einem Nobelpreis für Kahneman gewürdigt wurden, hat auch dies nicht zur Ablösung des homo-oeconomicus-Modells geführt. Zuletzt, und ebenfalls nobelpreisbewehrt, war es die experimentelle Ökonomik, deren Labor- und (zunehmend auch) Realexperimente starke Evidenz dafür lieferten, dass Akteure sich an Fairness- und Reziprozitätsregeln orientieren, was mit der Vorstellung eines normlosen homo oeconomicus konfligiert (vgl. Gintis et al. [eds.] 2005, Henrich et al. 2005).

Nun also folgt die Neuroökonomik (vgl. Camerer et al. 2004 und 2005, De Quervain et al. 2004). Anders als bei der alten Neoklassik, die sich die Physik in Hinsicht auf Exaktheit und Formalisierungsgrad zum Vorbild nahm, methodisch aber auf eine empirische Fundierung weitgehend verzichtete, übernimmt die Neuroökonomik gleich einen Teil des empirisch orientierten Methodenkanons der Naturwissenschaften. Dabei greift sie die Ergebnisse der vorhergehenden homo-oeconomicus-kritischen Ansätze auf, führt aber einen spezifischen Fokus und eben eine naturalistische Herangehensweise ein: Über bildgebende Verfahren und Neuromonitoring werden die Hirnaktivitäten von Proband|inn|en aufgezeichnet. So sollen aktive Hirnareale identifiziert und emotionalen und kognitiven Zuständen zugeordnet werden. Diese werden wiederum mit Handlungen in ökonomisch relevanten Situationen abgeglichen. Im Ergebnis, hierauf weisen *Hein/Henning* in ihrem Beitrag hin, lassen sich die Befunde anderer Kritiker des homo-oeconomicus-Modells bestätigen: Die menschliche Verarbeitungs- und Wahrnehmungskapazität ist begrenzt, Emotionen und Automatismen sind weit verbreitet und beeinflussen auch ökonomische Handlungen entscheidend. Von einer umfassenden und abwägenden Optionenberücksichtigung und Nutzenmaximierung kann daher kaum gesprochen werden. Dann können und müssen bislang auch eher der Soziologie vorbehaltene Termini wie Vertrauen – vgl. den Beitrag von *Helmuth* – in die ökonomische Diskussion eingebracht werden. Diese lassen sich, so die These der Neuroökonomik, naturwissenschaftlich fundieren.

Mittlerweile ist diese neurowissenschaftliche Diskussion auch in Deutschland angekommen und reizt zur Frage nach Reichweite und potentiellen Auswirkungen der Neuroökonomik. Hier setzt der Priddatsche Band vorrangig an, der kein neurowissenschaftliches Buch, sondern eines *über* die Neuroökonomik ist. Nur ein Beitrag – *Kenning et al.* – liefert eine knapp und explorativ gehaltene empirische Studie zur Risikoaversion bei ausländischen Finanzanlagen; die weiteren Beiträge führen in die neuroökonomische Thematik ein oder diskutieren den potentiellen Ertrag neurowissenschaftlicher Forschung.

Aus der Sicht eines Psychologen liefert *Markowitsch* vorrangig *basics* der Psychologie, deren Anbindung an ökonomische Diskussionen über Hinweise auf den potentiellen Nutzen für ein emotionsorientiertes Marketing nicht hinausgehen. Einen gelungenen Überblick über den Stand der Neuroökonomik liefern *Hain et al.* und machen deutlich, dass Neuroökonomik zwar immer eine Disziplin sein muss, die Resultate der Naturwissenschaften übernimmt und naturwissenschaftsnah arbeitet, sich darauf aber nicht beschränken kann und ihre Expertise auch dort nicht gewinnen kann: Im Zweifel können dies die Naturwissenschaften besser. Hier fragt man sich allerdings, ob der im Artikel (wie auch im ganzen Band latent) identifizierte Fokus der Forschung auf Marketingaspekte nicht eine verzerrte Sicht angesichts der hier auch einleitend angeführten theoriebildenden Arbeiten aus dem angelsächsischen Raum darstellt, die sich nicht auf Marketing beschränken, sondern auf das Handlungsmodell der Ökonomik in Gänze zielen.

Eine, wenn nicht die Kernfrage des neurowissenschaftlichen Ansatzes ist es, ob es gelingt, eine logisch und empirisch konsistente Verbindung von den gemessenen Hirnströmen zu den faktischen Handlungen aufzuzeigen. Camerer und andere Vertreter der Neuroökonomik sind hier für die Zukunft optimistisch. *Kabalak* merkt jedoch zu recht an, dass Konzepte wie »emotionale Reaktion« bereits auf sehr abstrakter Ebene liegen, die tatsächlich vorgenommene »hardwarenahe« Betrachtung aber kaum Verwertbares liefert: Hirnströme sind mit aktueller Technologie zu unpräzise messbar, es fehlen die Modelle, Hirnstrommessungen konsistent und valide zu abstrakteren Begriffen zu bündeln. Was geleistet werden müsste, ist, von Hirnaktivitäten über Gedanken und Gefühle zu sozial geteilten Modellen der Welt zu kommen; dann könnte tatsächlich von einer Neuroökonomik, die sozialwissenschaftliche Aussagen mit naturwissenschaftlicher Basis verbindet, gesprochen werden.

Dahin ist es noch weit, unter anderem deswegen, weil Fortschritte in naturwissenschaftlichen Verfahren nur einen Teil der Modellbildung ausmachen können. Ökonomisches Handeln ist genuin soziales Handeln; naturwissenschaftliches Wissen hilft hier nur bedingt weiter. Camerers Sichtweise erweist sich so als doch eher zu optimistische Vision; oder in der Perspektive *Huchlers* und *Priddats* als Hybris, als reduktionistische Soziobiologie, die auf der Annahme beruht, alles Handeln und Entscheiden sei auf der Hirnstromebene determiniert und daraus ableitbar. Diese Annahme wird aber als unzutreffend zurückgewiesen. Denn, das sei hier noch einmal zusammenfassend angeführt, so werde verkannt, dass Handeln einerseits soziale Interaktion ist und somit Rückwirkungen und Deuten das Handeln maßgeblich beeinflussen und andererseits, dass ein solcher Determinismus eine lückenlose Argumentationskette von Stromimpulsen über abstrakte Termini wie

Emotionen und Entscheidungen bis zu Weltansichten und geteilten Bedeutungen erforderte. Davon könne – aus theoretischen und forschungspraktischen Gründen – auch zukünftig nicht die Rede sein.

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Young, Brigitte (Hg.) (2007): Die politische Ökonomie des Dienstleistungsabkommens (GATS). Gender in EU und China, Baden Baden (304 Seiten, broschiert, Nomos, ISBN 978-3832926007)

Das von Brigitte Young herausgegebene Buch zum 1995 im Rahmen der Welthandelsorganisation (WTO) in Kraft getretenen Dienstleistungsabkommen (GATS) betritt mit der Frage nach den geschlechtsspezifischen Auswirkungen von Handelsabkommen Neuland. Noch immer gilt für die überwältigende Mehrheit der Ökonom|inn|en, dass Handel vorteilhaft für die gesamte Menschheit sei. David Ricardos Theorem des komparativen Vorteils kennt kein Geschlecht. Doch die Vorgabe der Vereinten Nationen zum Gender Mainstreaming setzt die Zunft unter Druck. Der bekannte Außenwirtschaftstheoretiker und leidenschaftliche Freihandelsbefürworter Jagdish Bhagwati griff die Herausforderung auf und postulierte, dass Freihandel die Unternehmen dazu zwänge, die kostspielige, weil den Pool an talentierten Arbeitskräften begrenzende Diskriminierung von Frauen aufzugeben. Mit Freihandel zu mehr Geschlechtergerechtigkeit?

Brigitte Young und ihre Autor|inn|en gehen diese Problematik wesentlich differenzierter an. Zum einen unterscheiden sie die Auswirkungen des Handels auf Frauen hinsichtlich deren Rolle als Konsumentinnen, Produzentinnen und Unternehmerinnen. Zum anderen differenzieren sie zwischen Frauen in reichen und (noch) armen Ländern am Beispiel der Europäischen Union und der Volksrepublik China.

Als Untersuchungsgegenstand eignet sich das GATS besonders, da es tief in das bisherige jeweils nationale Regelwerk für die Erbringung von Dienstleistungen eindringt, indem es insbesondere die staatliche so genannte Daseinsvorsorge in den Bereichen Energie, Gesundheit, Bildung etc. infrage stellt. *Young* weist in ihrem Beitrag eindrucksvoll nach, dass davon Frauen besonders betroffen sind, da diese einerseits im öffentlichen Sektor bisher verhältnismäßig gute Beschäftigung fanden und andererseits als immer noch Hauptverantwortliche für die häusliche Reproduktionsarbeit mögliche Einschränkungen des Zugangs zu Infrastrukturleistungen durch Mehrarbeit kompensieren müssten. Als potentielle Unternehmerinnen könnten sie allerdings profitieren, dies träfe aber nur auf einen kleinen Kreis, meist hoch qualifizierter Frauen zu, die meisten anderen würden eher dem Risiko prekärer Beschäftigung bzw. Einkommen ausgesetzt. In der Nord-Süd-Perspektive vermutet sie unter Bezug auf das Stolper-Samuelson-Theorem einen verschärften Druck auf gering qualifizierte Frauen im Norden. Youngs besonderes Verdienst ist die gendersensible Analyse der vom GATS ebenso erfassten Finanzdienstleistungen. Wie verändert sich durch die Liberalisierung der Zugang zu Krediten? Was sind die Auswirkungen von Kapital gedeckten Renten? Entstehen für Frauen neue und bessere Arbeitsplätze im internationalisierten Finanzwesen? Darüber hinaus werden die Folgen des restriktiven Einflusses der Finanzmarktliberalisierung auf den öffentlichen Haushalt für Frauen untersucht.

Die konkrete Analyse des GATS unter Berücksichtigung der Gender-Perspektive von *Markus Kerkmann* gibt zwar einen guten Überblick über dieses Abkommen, löst aber nicht die zuvor geweckten Erwartungen des geschlechtsspezifischen Blickes ein. Die Diskussion möglicher Auswirkungen auf Frauen bleibt oberflächlich. Die Analyse der genderspezi-

fischen Dimensionen der europäischen Dienstleistungsrichtlinie von *Adam Widera* geht zwar darüber hinaus, doch mehr als den Nachweis der geringeren geschlechtsspezifischen Einkommensunterschiede im öffentlichen Sektor gegenüber der Privatwirtschaft, des geringen Anteils von Frauen an der Gruppe der Selbstständigen (mehrheitlich im Dienstleistungssektor) und des stärkeren ehrenamtlichen Engagements von Frauen im sozialen Bereich bietet dieser Beitrag nicht. Besonders störend ist, dass der Unterschied zwischen Prozent und Prozentpunkten dem Autor wohl nicht bekannt ist.

Anregend liest sich der Beitrag von *Christa Wichterich* zu China: »Gender, Handelsliberalisierung und soziale Sicherheit nach dem WTO-Beitritt«. Für China bedeuten die mit dem WTO-Beitritt verbundenen GATS-Verpflichtungen radikale Einschnitte in den Dienstleistungssektor. China ist auch deshalb spannend, weil es in seiner explizit kommunistischen Phase Geschlechteregalität propagierte, wenngleich auch nur in Ansätzen praktizierte. Eindrucksvoll zeigt Wichterich, wie die Einführung kapitalistischer Verhältnisse dem Ideal der Geschlechterparität entgegenwirkt. Sorgearbeit wird in die privaten Haushalte und dort an die Frauen zurückverlagert, die zudem unter der zunehmenden Informalisierung der Beschäftigung leiden. Die Teilprivatisierung der sozialen Sicherungssysteme, so lautet ihre Hauptthese, wird durch die staatliche Finanzierungsnot vorangetrieben. Interessant wäre es zu erfahren, inwieweit das in China vorherrschende Gender-Regime zu den knappen öffentlichen Kassen beiträgt bzw. diese im dortigen politischen Diskurs nicht als dringendes Problem erscheinen lässt. Bedauerlicher ist, dass Wichterich zur Position Chinas in den gegenwärtigen Neuverhandlungen des GATS-Abkommens schweigt.

Insgesamt zeichnet sich Youngs Band durch eine differenzierte Analyse aus, die theoretisch anspruchsvoll unterfüttert ist, allerdings aufgrund mangelnder Datenlage noch vorläufig bleibt. Sprich, es ist eine Aufforderung, weiter über Gender und Handel zu forschen.

Christoph Scherrer, Universität Kassel

Hein, Eckhard / Priewe, Jan / Truger, Achim (eds.) (2007): European Integration in Crisis, Marburg (355 pages, paperback, Metropolis, ISBN 978-3-89518-610-3)

Hein, Eckhard / Heise, Arne / Truger, Achim (eds.) (2006): European Economic Policies. Alternatives to Orthodox Analysis and Policy Concepts, Marburg (349 pages, paperback, Metropolis, ISBN 3-89518-560-4)

The two books are collections of papers presented at two workshops organised by the Research Network Alternative Macroeconomic Policies. The main research areas of the network are macroeconomic theory and conceptual foundations of macroeconomic policy as well as their institutional prerequisites. Providing analyses of the potential and limits of macroeconomic policy for fighting unemployment is at the heart of its research activities. The books are the outcomes of the 10th and the 9th workshop organised by the network which took place in Berlin in October 2006 and 2005, respectively.

European Integration in Crisis starts with the contribution of *Jürgen Kromphardt* on the occasion of the 10th anniversary of the research network. Kromphardt compares two different branches of macroeconomics, based on the Walrasian and the Marshallian/Keynesian approach, and concludes that only the latter justifies measures of active demand policy. Consequently, the term ›macroeconomic policy‹ should be restricted to policies based on Marshallian/Keynesian theory and consequently there are no ›alternative‹ macroeconomic policies. Kromphardt nevertheless is sceptical about the survival of macroeconomic theory at German universities and strongly supports the research network as a medium to present, discuss and publish the outcome of macroeconomic research.

The first thematic part of the book treats the theoretical aspects of currency unions and practical experiences in the European Monetary Union (EMU). It starts with *Jan Prieue's* review of the early and later theories of optimum currency area. Prieue elaborates several points of criticism to those theories, e. g. that ›currency area‹ is a vague term which may denote currency cooperation as well as a full-fledged currency union, that the criterion of asymmetric shocks neglects supply shocks which reflect specific institutional characteristics of the countries, and that real convergence as a necessary condition for a currency union is underestimated. He particularly criticises that the issue whether or not a monetary union requires a political union is not addressed. He concludes that currency areas with strong economic and political heterogeneity are likely to lead to divergences between the members and to a sub-optimal overall performance. *Claudio Sardonì* and *Randall Wray* provide an analysis of Keynes's original proposal of the ›Bancor‹ as well as more recent proposals regarding fixed exchange rate regimes. These proposals are contrasted with their own concept of ›currency sovereignty‹, which implies the possibility for the application of independent monetary and fiscal policies. Necessarily, this ability depends on the adoption of flexible exchange rates. In their opinion, a regime of flexible exchange rates would have produced a more viable and dynamic European economic system. Alternatively, the Euro area needs to create a fiscal authority compared to the US Treasury, which would imply the shift of national authority to a central government.

Subsequently, a series of papers analyse the causes and effects of divergent developments within the EMU. *Charles Goodhart* opens this subject by arguing that the lack of flexible labour markets and of a federal fiscal system within the Euro area inhibit the adjustment to asymmetric shocks. He shows that relative unit labour costs have diverged and thus have worsened relative competitiveness of some countries, which puts the Euro area under the threat of further drifting apart. *Jan Prieue* also analyses the economic divergences within the Euro area and the problems linked to these developments. He identifies divergent unit labour costs, inflation differentials which cause real interest differentials, and diverging current account balances as the main risks for the functioning of the currency union. He also shows that the mechanisms of self-correction are working slowly and as a result growth and employment are dampened. The prevention of these divergences according to Prieue requires centralised fiscal policy as well as active coordination of fiscal, monetary and wage policies and thus a step towards a political union. *Hansjörg Herr* and *Milka Kazandziska* take the same line and also emphasize the need for the European Union (EU) to become

more integrated with regard to fiscal policy, tax and social security systems, labour market institutions and wage bargaining processes. In their opinion the currency union is a chance to create a prosperous and politically strong Europe but also runs the risk of regional problems, economic stagnation and political instability. In a country study of Italy *Stefan Solari* and *Claus Thomasberger* find that the channels which are supposed to correct these imbalances, namely wage and price flexibility, do not work properly. Instead, a self-reinforcing process of divergence is in place. A second country study by *Jesus Ferreiro*, *Carmen Gómez* and *Felipe Serrano* investigates the room for expansionary economic policy in Spain.

In the third part of the book, aspects of economic policy in the EMU are discussed. According to *Danny Lang*, the NAIRU (Non Accelerating Inflation Rate of Unemployment) is one of the basic concepts for the current economic design of the European Union. He summarizes the old NAIRU models as well as the new developments in the NAIRU literature in order to determine if the newer models have solved the main flaws of the old concept. He concludes that recent innovations of the NAIRU concept have raised more problems than solved. Thus the EU cannot reasonably continue relying any longer on such a fragile concept. *Angel Asensio* focuses on fiscal and monetary interactions within a two-country monetary union. His main findings are that heterogeneity within the Euro zone is likely to enforce adverse interactions and makes the policy mix less efficient. This could be avoided if monetary policy concentrates on common effects of shocks while fiscal policy counters the country-specific effects. *Felix Geiger* and *Peter Spahn* analyse the ability of monetary policy to reduce divergences between EMU member states. Divergences mainly result from the dominance of the real interest effect over the exchange rate effect. National cycles become detached from macroeconomic conditions on the EMU level, thus national fiscal policy regains responsibility for stabilisation purposes. *Jörg Bibow* assesses the performance of the European Central Bank (ECB) since 1999. The key finding is that the ECB has played a key role for the weak economic performance of the Euro area at the beginning of this period and currently seems to repeat their errors by cutting off pre-emptively the recovery which it has done for little to start in the first place. The book concludes with a paper by *Philip Arestis* and *Malcolm Sawyer*, who give their perspectives on economic policy in the EU. They argue that the objectives of full employment and sustainable and equitable economic growth would require the use of macroeconomic policies. Monetary and fiscal policies, as they are currently implemented in the EMU are found problematic. The main improvements proposed by the authors are the full co-ordination of fiscal, monetary and exchange rate policies. In order to implement these policies, a number of institutional changes must take place.

European Economic Policies covers papers which are critical towards orthodox economic analysis and mainstream European economic policy concepts, and explore alternative approaches to achieve higher growth and lower unemployment. The book is divided into three sections. The first part contains contributions which assess the reasons for slow economic growth and high unemployment in Europe. The second part deals with problems associated with the enlargement of the EU. In the last part, alternative economic policy concepts are discussed.

Markus Marterbauer and *Ewald Walterskirchen* argue that the stagnation of the Euro area since 2000 relative to the world economy is closely connected to the dominance of purely long-run supply-side oriented policies. The EU policy guidelines completely neglect anti-cyclical and demand-oriented policies. In the short run, monetary and fiscal policies are not expansionary and structural reforms are deterring consumers' expectations. In the medium run, growth differentials can be explained largely by rising house prices and anti-cyclical policies in Anglo-Saxon and Scandinavian countries rather than structural reforms. In the long run, higher expenditure on research and development and education will lead to higher economic growth only if capacity utilisation is sufficient to induce additional investment. The chapter by *Catherine Mathieu* and *Henri Sterdyniak* deals with the Stability and Growth Pact (SGP). They criticise the rigidity of the fiscal rules and the lack of economic rationale for its design. In their opinion, the theoretical and empirical basis behind this framework is rather weak and strictly anti-Keynesian. Although the reforms in 2005 make steps towards more economic rationale, important issues remain unsolved. The authors postulate the right of member states for an autonomous national fiscal policy. On the other hand, binding rules should be established for inflation and current account balances. *Hubert Hieke* complements this analysis of the SGP and argues that Germany recently experiences a financial surplus of the private sector, which is balanced by a current account surplus. In order to eliminate budget problems and get in line with the SGP, either the private financial surplus must be reversed or the current account surplus has to increase further. According to Hieke, the most probable scenario is that wages would be lowered further relative to trading partners in order to become more competitive, which would result in a deflationary bias in Germany.

Louis-Philippe Rochon and *Sergio Rossi* in turn focus on the monetary policy of the ECB. They argue that monetary policy has not been oriented to output and employment but merely concentrated on price stability, however, without being able to meet that target. The paper analyses the ECB's monetary stance and addresses the question if the observed decrease in inflation rates in the Euro area is attributable to monetary policy. It finds that monetary policy via higher interest rates leads to lower wage shares and thereby collapses aggregate demand. The authors conclude that monetary policy is not an effective tool to fight inflation. The inflation target for monetary policy thus needs to be questioned. The chapter by *Camille Logeay*, *Katja Rietzler*, *Sabine Stephan* and *Rudolf Zwiener* deals with wage, price and export dynamics in the Euro area. Due to the fixed nominal exchange rates in the monetary union, wages and prices have to carry the load of adjustment to external and internal shocks and thus to changes in international competitiveness. As these adjustment processes are typically slow and costly, the authors recommend a normative wage formula where nominal wages in each country rise to the same extent as average productivity in the respective country plus the target inflation rate of the ECB. Countries would then not create competitive advantages for themselves at the expense of other member countries through wage dumping. Instead, all countries would contribute to European growth and to meeting the ECB's inflation target at the same time. *Jesus Ferreiro* and *Carmen Gomez* conclude the first section of the book and focus on the Spanish experience with wage moderation in

the 1980s and 1990s. They analyse the economic, social and political framework in which the wage policies were implemented, as well as the economic results.

The second section of the book starts with a chapter by *Jan Priewe* about the future enlargement of the EU. He argues that further extensions of the EU would make it more heterogeneous in terms of the real economy. Because the architecture of the EU was designed for a homogenous union, these extensions could be problematic. The author therefore points out the need for the EU to become more homogenous and for a deepening of the political union. For potential member countries with lower incomes a special status as 'associated member' or a special exchange rate regime of their own currencies with respect to the Euro may be alternatives to full accession. *Jens Hölscher* and *Johannes Stephan* discuss methodological issues in the context of an enlarging Euro area. They find that the new member countries look under-banked, whereas interest rates are converging. They propose the adoption of the Euro by the new EU members rather sooner than later. *Wolfgang Blaas* and *Karoly Lóránt* analyse current account problems of the new EU members. Given insufficient international competitiveness, the current accounts tend to deteriorate. The authors discuss some typical processes of transformation and transition in the new member countries, which are responsible for these imbalances by means of a case study about Hungary. External imbalances restrict growth to a level which is too low to compensate for the high productivity gains. Thus, unemployment rises in spite of high economic growth. The chapter by *Özlem Onaran* shows that in terms of overvaluation of the local currency and the current account deficit, Turkey as well as some other Central and East European countries are highly vulnerable compared with the corresponding values of East Asia, Turkey and Latin America before the outbreak of the crisis. In the case of Turkey, this is the outcome of the structural problems of the economy based on speculation-led growth. Speculation and thus fragile growth patterns are an intrinsic outcome of market economies. She argues that current economic policy of the EU will make it even harder to implement policies that would limit the mobility and speculative activities of capital. Thus, democratic but regulatory interventions going along with the EU enlargement are needed to make the economy meet the needs of the people.

Pascal Petit opens up the last part of the book with a paper about institutional diversity in the EU. He argues that taking advantage of the diversity between the EU member states will lead to fruitful institutional changes, leading to more growth and welfare. The contingencies and path dependencies of national institutions thus should be taken into account. *Jörg Huffschmid* proposes a European Social Model (ESM) consisting of five cornerstone elements: Full employment, social welfare and security, equity, ecologically sustainability and balanced and cooperative international economic relations. He argues that mainstream economic policy poses obstacles to the ESM, such as the dominance of competition, strong restrictions for macroeconomic policy, social policy minimalism and a vicious circle consisting of low growth, high unemployment and rising inequalities which reinforce themselves. To overcome these obstacles, the EU economic policy needs changes: A political framework of rules into which markets and competition must be re-embedded and macroeconomic policy, i. e. monetary and fiscal policy need to become oriented to growth and employment. He also discusses the main problems encumbering these measures and their solutions as

well as the political practicability within the EU. *Arne Heise* addresses the issue that globalisation – the growing cross-border movements of goods, services and production factors – seems to contradict the constitutional principles of nation-states which are territorially defined. Public goods such as infrastructure, price stability, social security and economic stability are usually provided by the state. He discusses the problems and possible solutions of the provision of public goods at the EU level and assesses the European Economic governance system. *Ricardo Bellofiore* and *Joseph Halevi* conclude the book with an evaluation of the possibilities to apply Keynesian policies to the EU. They argue that the economic policy in Europe switches between neoliberal and social-liberal, both believing strongly in the positive effects of globalization and the need for ›sound‹ finance. Under these conditions, no redistribution of incomes can happen. An alternative policy therefore would need to challenge the existing system of capitalist relations by means of structural policies.

Both books provide a very good overview of current research activities about European integration and macroeconomic policies in the EU based on theory in the line of Keynes and Post-Keynesian economics. As they are collections of various papers, they address a broad range of issues, i. e. monetary, fiscal and wage policies as well as problems of currency unions, integration of nation states and the co-ordination of macroeconomic policies. Each paper highlights a specific point of analysis; consequently, the contributions are both complementary and controversial, thus providing a differentiated picture of the respective topics. Although the reader may find that sometimes the papers are not very interconnected or repeat each other, everybody who is interested in macroeconomic policy and European integration should find a lot of inspiring aspects for discussion and further research in these books.

Stefan Ederer, Austrian Institute of Economic Research (WIFO), Vienna

Arestis, Philip | Hein, Eckhard | Le Heron, Edwin (eds.) (2007): Aspects of Modern Monetary and Macroeconomic Policies, Houndsmills et al. (269 pages, hardcover, Palgrave Macmillan, ISBN 978-0-230-00793-2)

A New Consensus model (NCM) in macroeconomics has been established throughout the last years, showing Keynesian-like features in the short run and Neoclassical-like behaviour in the long run. *Philip Arestis, Eckhard Hein* and *Edwin Le Heron* in their introduction to »Aspects of Modern Monetary and Macroeconomic Policies« highlight this aspect. They share the common belief that the NCM is an improvement compared to former New Classical and Real Business Cycle models, but that there remain still a lot of problems to tackle. Hence, the volume can be seen as a collection of discussions of singular core subjects of the New Consensus approach to macroeconomic policy in general and to monetary policy in particular. Its strength lies in the variety of approaches it uses for the analysis, ranging from institutional and empirical studies to game theory and monetary circuit considerations. Despite its variety of subjects one can classify the papers into four main subjects:

Theoretical questions about monetary policy build one part of the book. First, *Basil Moore* heavily criticises the widely used equilibrium analysis and attempts to replace it by process analysis focusing on changes, without any tendency to a natural given static constellation. The deflationary bias of modern monetary policy results from the inflation targeting regimes under flexible exchange rates: Lowering the bank rate would lead to a depreciation of the exchange rate followed by higher import prices and an increase in domestic inflation. Next, *Theodore Koutsobinas* discusses the central bank's influence on the long-term interest rate reconsidering the critiques by Tobin and Kahn. If the long-term rate is stickier than the short-term rate, due to liquidity-preference and induced expectations, then the arbitrage condition in financial markets can indeed counteract the bank's objective interest rate. The analysis of monetary policy from a circuitist perspective is the aim of *Claude Gnos'* article. In his point of view, mismatches between the emergence, formation and spending of nominal incomes lead to inflation, which can even co-exist with deflation. The author suggests solving this problem through the implementation of an issuing and a financial department in commercial banks.

Second, three papers raise institutional questions. Both *Peter Howells* and *Edwin Le Heron* deal with the topic of transparency and credibility of central banks. The former defines transparency as agents' capacities to anticipate future interest rate changes by the central bank. He doubts whether institutional reforms leading to more frequently and detailed publications have narrowed the gap between money market rates and the official rate, using the former as an indicator for agents' anticipations. Le Heron turns to a critical appraisal of the different institutional designs of central banks in the Euro area and the US. Following his argumentation, the crucial distinction for the analysis of monetary policy today is credibility vs. confidence. While the European Central Bank continues to defend its independence and free-lunch approach, the Fed is embedded in a governance regime that anchors its democratic accountability. Finally, *Elisabeth Spingler* enlarges the analysis to the appropriate institutional features of financial systems with a focus of the effects of Basel II on a bank-based financial system analysed in an endogenous money framework. It seems that the higher capital adequacy ratio demanded by Basel II will indeed decrease risks linked to credit transactions, but it also turns out that this would be offset by an augmented risk-taking of banks and credit rationing.

A third topic could be named macroeconomic modelling: *Angel Asensio* compares the differences between the NCM and a Keynesian alternative. Given that the NCM neglects uncertainty and income distribution, macroeconomic policy in the standard model anchors the equilibrium far away from full employment. While uncertainty rules out the market adjustment process, also in the case of monetary stabilisation policy, income distribution leads to the adoption of a deflationary bias of central banks. *Peter Flaschel* and *Christian Proaño* construct a five equation disequilibrium AS-AD model as an alternative to New Keynesian models. They allow for two Phillips curves, in order to model price and wage dynamics explicitly, and an adaptive term in inflation expectations. Estimates for the Euro area and Germany suggest a profit-led aggregate demand regime in both economies, which implies that investment reacts stronger on real wage variations than consumption. An unconventional way of explaining exchange rate movements is then provided by *Philip Arestis* and

Elias Karakitsos. Describing the problem of the huge current account deficit of the US, they highlight the necessity of a fall in the dollar-euro exchange rate. But their analysis points to the contrary: using a game-theory approach, one can explain the instability of parameters traditional exchange rate models face, namely through a shift from a Stackelberg-leader to a Stackelberg-follower position of the US.

The fourth topic consists of empirical studies of macroeconomic policy regimes. First, *Jörg Bibow* shows that there are still significant nominal and real divergences in the Euro area, which actually stem from the current assignment of economic policy institutions. Over-emphasising the real exchange rate channel does not lead to more stability. Instead, it is absolutely necessary for big countries within the EU to rely on macroeconomic management in order to cope with divergences. Second, *Eckhard Hein* and *Achim Truger* question the mainstream explanation for the relatively poor macroeconomic performance of Germany, which blames a perceived institutional sclerosis. Their analysis gives some convincing evidence that the factor to blame is Germany's restrictive macroeconomic policy regime, which also raises some concern for the Euro area in the near future. The importance of an appropriate macroeconomic policy mix becomes even more obvious if one turns to the contribution by *Philip Arestis* and *Malcolm Sawyer* who try to explain the relatively good performance of the United Kingdom. Albeit due to some favourable conditions, this better performance can also be attributed to the golden rule in fiscal policies which makes the fiscal policy stance less restrictive than the European Stability and Growth Pact.

Summing up, this book provides a good overview of the varieties of ongoing research in heterodox economics. It can thus deliver some fresh ideas beyond the NCM and help to overcome the uncritical approach to the assumptions of standard economic theory.

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Hein, Eckhard / Truger, Achim (eds.) (2007): Money, Distribution and Economic Policy. Alternatives to Orthodox Macroeconomics, Cheltenham et al. (258 pages, hardcover, Edward Elgar Publishing, ISBN 978-1-84720-063-1)

Modern macroeconomic theory is dominated by what has been termed the New Consensus – a combination of New Classical and (New) Keynesian elements, where in the long run outcomes are determined by steady states or ›natural‹ rates. Real effects of aggregate demand and economic policy are only possible due to nominal and real rigidities and hence confined to the short run. Monetary policy can then only have short-run real effects as indicated by a downward-sloping short-run Phillips curve, but must be neutral in the long run since the long-run Phillips curve remains vertical at the ›Non Accelerating Inflation Rate of Unemployment‹ (NAIRU). As the natural rate of unemployment, or NAIRU, in this type of models can only be reduced via structural reforms in the labour market, monetary policy is assigned to short-run stabilisation of unemployment and controlling inflation in the long run, whereas fiscal policy is neglected altogether.

However, through the assumptions of long-run full employment (at the NAIRU) and the concept of a representative agent, important characteristics of modern production economies such as distribution conflict and involuntary unemployment are disregarded in New Consensus models, so that the policy recommendations derived from them could be seriously misleading. The papers in this volume critically discuss modern orthodox macroeconomics and present alternatives in macroeconomic theory and economic policy analysis. They were presented at the 9th conference of the German Research Network 'Alternative Conceptions of Macroeconomic Policies under the Conditions of Unemployment, Globalisation and High Public Debt'. The volume is divided into three parts: The first presents heterodox economic theory with a special emphasis on monetary theories, the second part focuses on the relation between distribution and aggregate demand and the third and largest part analyses aspects of economic policy from a heterodox perspective.

The first chapter starts with an account of the Cambridge approach to economics by *G. C. Harcourt*, who describes the development of economics at Cambridge, from Malthus, over Marshall and Keynes to the contributions of Post-Keynesian economists. *Sheila Dow* analyses the development of heterodox economics in the second paper, applying the concept of schools of thought. She argues for a different interpretation of the concept of schools of thought as a means of organising and communicating scientific ideas and knowledge, both within and across schools of thought, so that the diversity of heterodox economics can enhance its development. The papers by *Trevor Evans*, *Michael Heine* and *Hansjörg Herr*, on the one hand, and by *Jean-Vincent Accoce* and *Tarik Mouakil*, on the other hand, develop monetary theories in an attempt to find alternatives to the Neoclassical approach. Evans, Heine and Herr develop a monetary theory of production, where money is created endogenously through credit provided by banks for investment. Firm's investment decisions then drive employment and growth, so that long-run growth is not given by a 'natural' rate, but is determined by the succession of short-run business cycles. Accoce and Mouakil build a stock-flow consistent model of the monetary circuit approach, using the framework developed by Wynne Godley and Marc Lavoie.

The second part of the volume consists of two empirical papers on distribution and aggregate demand. *Olivier Giovannoni* and *Alain Parguez* estimate a vector error-correction model (VECM) in order to test the relationship between profits, on the one hand, and income and expenditure aggregates from the national accounts of the US, on the other hand. They find that profits are more likely to have a lagging role in the system, both in the short and in the long run, in contrast to New Consensus models. In the second paper, *Stefan Ederer* and *Engelbert Stockhammer* attempt to estimate the growth regime for France in a single-equations approach based on the Bhaduri / Marglin model. Their results suggest a wage-led nature of the domestic sector in France, but a strong positive response of net exports to an increase in the profit share, so that overall France seems to be profit-led.

The third chapter starts with a paper by *Jesús Ferreira* and *Felipe Serrano* who stress the importance of institutions in economic policy in order to stabilise expectations in a world characterised by strong uncertainty. *Gustav A. Horn* analyses the effect of structural reforms in the labour market for the case of Germany. His simulation results show that a structural

reform depresses both real output and consumption and a compensating increase in public investment has superior effects to a compensating tax reform of the same size. Fiscal policy is also the focus of the paper by *Douglas Mair* and *Anthony L. Laramie* who develop a Kaleckian model to analyse the effects of taxation on long-run growth through shifts in income distribution. Both the papers by *Richard A. Werner* and by *Eckhard Hein* and *Achim Truger* investigate macroeconomic policy in Germany and the EMU and call for a stronger coordination, especially with regard to monetary policy. They find that monetary policy has a far greater impact on long-run real economic performance than assumed in New Consensus models.

The papers in this volume cover a wide range of topics and approaches in modern heterodox economics and point out many innovative alternatives to New Consensus models. The theoretical and empirical pitfalls of orthodox macroeconomics are identified from many angles, so that this volume provides valuable insights for those who are interested in modern macroeconomics.

Lena Vogel, University of Kent